

Notes for February 16th, 2022 CCI Report

The forecasted average crude **Oil Price** for 2022 has been revised from \$68.24 to \$79.35 per barrel. Total US crude oil production hit 11.8 million barrels per day in November, which is the most in any month since April 2020. One reason prices have risen is the result of heightened market concerns about the possibility of oil supply disruptions.

Residential Building Permit activity has cooled since the last quarter, down 15.3%, and Total Private Housing Starts are expected to decrease by 5.6% in 2022. The *UCF Institute for Economic Forecasting* revised their forecast decline to about 11%. Since housing construction competes for many of the same resources as highway construction, this could indicate more available resources, however nonresidential building is expected to recover this year, which may have a dampening effect on that availability.

Florida **Heavy Construction Employment** saw a tick up of 1.7% in the last quarter, and December year over year employment was 2.1% higher than pre-pandemic levels of 2019. Despite a predicted slowdown in residential construction, federal funding for transportation and infrastructure projects is expected to boost demand in 2022 and beyond.

Statewide **Construction Employment** in major Florida markets has shown sustained recovery over this past year.

The latest **Commodity & Labor** composition chart shows how the share of costs may shift depending on project type, scheduling, and material costs. Asphalt costs will remain high in 2022, but aggregate costs appear to be easing. FDOT's construction labor costs have been relatively consistent this year as construction labor in general is back to pre-pandemic levels.

The **National Highway & Street Construction PPI** is up 20.5% from a year ago and increased another 1.4% from the previous quarter.

FDOT Benchmark Input Costs Index, the red line on this chart, shows the change in supplier reported input costs for asphalt, concrete, steel, and aggregate products, and has been on a steady rise since November 2020, when major material price increases first began. The blue line shows the change in FDOT bid prices for those same commodities. Changes in bid prices have been less consistent, but still trend upward, with December average bid prices 14% higher than the base price. Material bid prices have now caught up with input costs, showing that contractors are no longer absorbing cost increases in their bids.

The cost of a 1-mile **New Construction Typical Section** - FDOT had some large quantity/lower price contracts awarded in December. In general, Clearing & Grubbing, Earthwork & Stabilization weighted average prices increased, and Superpave traffic level C prices decreased.

The cost of a 1-mile **Resurfacing Typical Section** – preliminary data for January, which is not yet included in the average prices shown here, is higher than the numbers from December, so we can anticipate the price trend to be even higher in the next Quarter.

The rapid increases in **Asphalt** input costs over the last few months are now reflected by steep increases in FDOT's Asphalt bid prices. Our data shows that our asphalt prices increased 6.7% in 2021, and another 9.8% in January. Recent refining events in the Gulf Coast as well as a potential change in Mexico's export policy could lead to tighter supply, but for now supply is sufficient to meet FDOT's asphalt demand.

(Phillips 66 announced the conversion of its 250,000-bpd refinery in LA to a terminal due to damages caused by Hurricane Ida)

Increases in Asphalt **Binder** average bid prices have continued in the first quarter of 2022. With very few suppliers, polymers continue to exert a negative influence on FDOT's costs. PG-76 binder prices have increased 23% year-over-year to \$634 per ton.

FDOT **Structural Concrete** average bid prices have come down from the record-high in 2021 to pre-pandemic levels. But producers are reporting that sustained increases in reinforcing steel costs reduced their margins in 2021 and are partially responsible for bid increases. Increases in demand due to the Infrastructure Investment and Jobs Act will likely push up prices further later in the year. As reported in November, Cemex and Titan America are preparing by upgrading their Florida ports and terminals.

(The quarterly average structural concrete price includes 12 contracts in Oct/Nov/Dec, and 4 in Jan)

Since November, we've seen a sharp increase in **Base** average bid prices and **Earthwork** prices. Trucking is the main factor affecting both sectors. Driver and operator shortages and higher fuel prices are still affecting earthwork contractors, and providers are still having issues obtaining equipment and parts. Material suppliers in most industries are reporting a lack of parts and scrap metals to repair equipment and are now having to turn to renting equipment instead, adding additional cost to their operations.

In the U.S., **Steel** supply is tight, and demand remains high, but additional capacity is expected to come online this year and in 2023, which could help relieve prices.

There have been no lettings with **Structural Steel** since October. As for outlook, Florida producers have indicated that they may have seen a stabilization in steel prices this past month.

(There were 2 contract lettings with Structural Steel in October, with an average bid price of \$2.93.)

January **Reinforcing Steel** average bid prices appear to be reflecting increases in costs for raw materials that our suppliers have been reporting for months. There were 17 projects with reinforcing steel pay items in the 4th Quarter of 2021, and 4 projects in January, but there were twice as many pounds of Reinforcing Steel in those 4 January projects as there were in the whole 4th Quarter of last year. This tells us that rebar prices may not decline as predicted for structural steel.

This point is reinforced by the **January Steel Producer Survey Results** with respondents reporting expected price decreases for structural steel, but not for rebar, nor steel pipe. The survey reflects large increases expected in production of Structural Steel, with more moderate increases for rebar and other products.

Guardrail continues to show an upward trend in our average bid prices, as do prices for **Overhead Sign Structures, Single Mast Arms,** and **Double Mast Arms.**

Trucking & Freight – the National Flatbed Load-to-Truck Ratio, which is one measure of flatbed demand and capacity. This past December, the load-to-truck ratio was 48 meaning an average 48 loads for every available truck. The first data point for 2022 shows an average 84 loads for every available truck. But early indicators for February show some improvement. The takeaway from what this chart indicates is that the demand for trucking will continue to out-pace the supply of available trucks for the near future.

Competition for FDOT construction contracts through January shows a slight decrease in the number of bids per contract, at 3.5, and the number of contracts with two bidders or less was 34%. To foster more competition, the Estimates Office is working with Construction to revisit the Work Classes affecting contractor pre-qualification for known problem-project types.